7 January 1953

Memorandum for Mr. Dulles

Subject: Comment on the 25X1A9a Report (SRE Plans and Policy Staff)

I have shown the report to, and discussed it with, 25X1A9a the European man on the O/NE staff. These comments are derived in large part from his ideas, and tackle two aspects of the report, namely (1) its basic policy recommendations; (2) its implications for CIA operations and intelligence gathering.

Basic Policy Recommendations

1. The 25X1A9a report is essentially a series of broad policy recommendations for the US to follow in Western Europe over the next few years. Stressing that the US is the driving force behind the development of European strength, it proposes that the US should:

a, Seek to strengthen the Atlantic Community, especially by reinforcing the sense of common purpose among its members; support European integration to the extent consistent with strengthening the Community as a whole, but avoid measures which might lead to a European "Third Force"; urge more positive measures to reduce Communist strength in France and Italy, especially through buildup of free trade unions; revise and intensify our information and PW programs; modify our East-West trade policies to permit greater trade, as more consistent with "Trade not Aid", but retain embargoes on items of direct strategic importance; minimize detailed interference in European internal affairs; align non-NATO European countries more closely with the Atlantic Community, though not necessarily through NATO (e.g., encourage eventual Spanish admission, but keep separate arrangements with Yugoslavia).

b. Revise basic NATO strategy, since the present force plans are incapable of fulfillment. European politico-economic capabilities are insufficient to meet current military goals, so a new defense concept must be devised; new weapons may provide an answer; revision of UK defense program toward emphasis on a strategic atom bomber force and local air defenses and away from ground forces indicates this trend; in any case, the European view, right or wrong, requires a re-evaluation of NATO plans, and the US should be ready to take the lead. A West German defence contribution is indispensable and must be larger than now called for under EDC plans. US forces will probably have to be retained in Europe for many years.

c. Aid in the establishment of a European Production Base, so designed that the Europeans can maintain the required forces with greatly reduced US aid; however, before the US agrees to support such a program it must be carefully prepared by the Europeans themselves; it must be truly "European", not national in character; this is unlikely before next year, so OSP should continue at '53 levels for another year. Such aid plus US expenditures in Europe should be enough to replace any further straight economic aid, except for specific areas like

Austria, etc.

d. Continue the build-up of NATO economic strength, including (1) achievement of overall paymants balance and especially dollar balance without further US grants; (2) progress toward currency convertibility; and (3) progress toward non-discriminatory trade in the free world. This requires both US and European action; Europe must improve its competitive position; US must reduce trade barriers and expand US investment in underdeveloped areas, including Southern Europe. Some devaluation of European currencies is also essential.

(2) Furthermore, in urging "positive measures" to support German reunification (pp. 19, III-29 ff.), 295X1A9a does not say how such reunification could be brought about without the use of armed force (and not merely guerilla warfare), or how the other NATO members would be brought to accept it even as a NATO objective. (He concedes they would initially be strongly opposed.) Certainly Soviet policy in East Germany during 1952 has given every indication of Soviet intent to consolidate its hold there, in response to the signing of EDC (a fortiori surely to German membership in NATO). Moreover, while West German sentiment for reunification is unquestionably strong now, query how it would fare in the long run against the apparent certainty that attempts to get back even the Eastern Zone would mean war. Thus, it seems doubtful whether more than the present US policy of verbal indorsement only of reunification is in fact macessary to held the West Germans in line with the West, So far as being the best first step toward freeing the Satellites, we wonder whether Albania, in a small way, and Austria, in a somewhat larger one, would not be better entering wedges than German unification.*

* A possible line of action toward Austria is spelled eut in more detail in the attached appendix, written by mr. 25X1A9a

Parts Relating Directly to CIA

2. The report contains (p. IV¥-18) an urgent plea for the best possible intelligence on Soviet intentions and calls for a greatly intensified US and allied effort in this direction. It stresses the need for as much advance warning of hostilities as possible, because of its bearing on the mobilisation of adequate defense forces. In its own estimate of Soviet intentions (Part I), the report is generally in agreement with our basic estimates.

3. Particular stress is placed on measures to improve Western European morale and to develop a greater sense of common purpose with the US. The report urges using all available means for this purpose,

4. Considerable emphasis is placed on weakening Soviet capabilities by undermining their control of Eastern Europe (pp. VI, I-5), especially through the re-unification of Germany. Aside from this, the report suggests that 25X1X4 offers

the most likely possibilities, and suggests that Soviet fear of deviationism indicates their vulnerability in this respect.

APPENDIX: A POSSIBLE LINE OF ACTION IN AUSTRIA (by 25X1A9a)

1. A good case can be made that more attention should be paid to Austria as a key area where the West can push back the Iron Curtain. Austria might be said to rank second only to Albania as a major target for us. The difference is that Albania would require clandestine operations, but Austria might be freed by political and peychological pressures alone.

2. The recent UN debates showed the weakness of the Soviet moral and propagenda position on an Austrian treaty. We, in contrast, have an unassailable position that can be far more effectively exploited. We have already in the "long" and "shprt" treaties demonstrated our own willingness to get out. We might go further and offer a simple simultaneous withdrawal, thus putting the Kremlin on an even worse spot.

3. It is conceivable that an elaborate campaign of diplomatic and PW pressures designed to expose the weak Soviet position on Austria could provide the necessary added push to lead the USSR to get out. The objective would be to make Soviet refusal of an Austrian treaty the prime symbol of Kremlin unwillingness to demonstrate its peaceful intentions concretely. It is hard to believe that the USSR has any vital interests in Austria that it would be unwilling to lose. The last nine years of Soviet policy toward Austria indicate that the USSR has never made up its mind whether Eastern Austria should be incorporated (like East Germany) into the Soviet bloc. In fact the Kremlin's policy has been almost inexplicably mild, We thought at one time (I believe in 1949) that the USSR was actually going to agree to an Austrian treaty. We were wrong, but on the other hand the USSR has even now given no indication that it has decided to held on permanently to its zone.

4. Admittedly, there are disadvantages to pressing the Austrian case. It might lead the USSR to decide the other way, and actually take steps to divide Austria and convert Vienna into another Berlin. Second, the USSR may view Austria as a bargaining counter and offer to give it up only as a quid pro quo for Western concessions on German issues, thus reopening the German question. However, these risks are probably acceptable, first because Austria is at present divided anyway, and second because we need not fear a reopening of German issues (once EDC is ratified) since the Soviet position is infinitely worse than ours. Finally, unless we soon press the Austrian issue to a conclusion, the passage of time may convert a temporary situation into a permanent one, and our chances of winning a blocdiess victory will be lost for many years to come.